

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 119542

R 310420Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6526

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 1479

EXDIS

DEPT PASS TO J. CONNOR, WHITE HOUSE

DEPT PASS USERDA GERMANTOWN

E.O. 11652 GDS

TAGS:TECH ENRG, JA

SUBJECT: URANIUM ENRICHMENT DISCUSSIONS WITH JAPANESE GOVERNMENT  
AND INDUSTRY OFFICIALS

REFS: (A) STATE 009593, (B) 75 STATE 291713, (C) TOKYO 0270

FOR M.B. KRATZER, OES

N.F. SIEVERING ERDA

SUMMARY:STATE DEPT., ERDA AND ACDA OFFICIALS HELD  
INTENSIVE, FRANK DISCUSSIONS WITH THOSE JAPANESE MOFA,  
MITI AND STA OFFICIALS CONCERNED WITH CONSTRUCTION OF  
NEW URANIUM ENRICHMENT CAPACITY IN U.S. SEPARATE DISCUS-  
SIONS ALSO WERE WITH JAPANESE UTILITY REPRESENTATIVES.  
BRIEFINGS WERE GIVEN BY US REPS ON STATUS OF NUCLEAR  
FUEL ASSURANCE ACT (NNFAA) LEGISLATION, ON US PRIVATE  
INDUSTRY AND GOVERNMENTAL ATTITUDES TOWARDS LEGISLATION,  
ON EVOLVING RELATIONSHIPS BETWEEN ERDA AND UEA, AND  
ON STRONG USG INTEREST IN SEEING JAPAN PARTICIPATE  
IN THE PROSPECTIVE US PRIVATE ENRICHMENT VENTURES.  
GIVEN THE US JUDGEMENT THAT THE NEXT INCREMENT OF  
CAPACITY HAS TO EMPLOY THE GASEOUS DIFFUSION PROCESS,  
THE CONVERSATIONS NECESSARILY FOCUSED ON THE UEA  
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PROPOSAL, ON JAPANESE QUESTIONS ABOUT THIS PROPOSAL,

AND ON THE NATURE OF THE ARRANGEMENTS THAT ERDA FORE--  
SEES AS ASSURING THAT ANY SUCH PRIVATE VENTURE WILL  
OPERATE SUCCESSFULLY AND ON COST-EFFECTIVE BASIS.  
WHILE NO FIRM COMMITMENTS TO UEA PROJECT WERE SOLICITED  
OR OBTAINED, DISCUSSIONS WERE EXTREMELY PRODUCTIVE  
(1) IN ALLAYING UNJUSTIFIED FEARS OF JAPANESE TECHNICAL  
PEOPLE ABOUT MOVE TOWARD PRIVATE OWNERSHIP OF ENRICHMENT  
FACILITIES IN US, AND (2) IN ESTABLISHING FRAMEWORK  
FOR ENCOURAGING JAPANESE FINANCIAL PARTICIPATION AT  
RELATIVELY EARLY DATE. END SUMMARY.

1. BENGELSDORF (STATE), HELFRICH AND SCHWENNESEN (ERDA),  
AND VAN DOREN (ACDA) HELD THREE-DAY SERIES OF MEETINGS  
JANUARY 26-29 IN TOKYO WITH REPRESENTATIVES OF GOJ  
AGENCIES AND PRIVATE UTILITY INDUSTRY. STATE, ERDA  
AND ACDA MEMBERS OF DELEGATION PRESENT AT FIRST MEETING  
WITH MOFA, MITI AND STA, AT SECOND MEETING WITH MITI,  
AND AT THIRD MEETING WITH STA. STATE AND ERDA MEMBERS  
ATTENDED FOURTH MEETING WITH JAPANESE UTILITY REPS.  
THEY WERE ACCOMPANIED CONTINUOUSLY BY TOKYO SCIENCE  
SECTION, POLITICAL SECTION AND ERDA REPS. MEETINGS  
WERE UNUSUAL IN SEVERAL RESPECTS: (A) FOR FIRST TIME  
IN MEMORY OF US PARTICIPANTS, MOFA, MITI AND STA  
OFFICIALS MET JOINTLY UNDER MOFA AUSPICES WITH USG  
ON SUBSTANTIVE NUCLEAR ISSUE FOR ENTIRE DAY AND EVEN-  
ING; (B) DISCUSSIONS WERE REMARKABLY FRANK ON BOTH  
SIDES (ENCOURAGED BY INFORMAL, CONFIDENTIAL NATURE  
OF MEETINGS) AND JAPANESE ASKED INTELLIGENT, TOUGH  
QUESTIONS; AND (C) ISSUES WERE DISCUSSED IN TERMS OF  
MUTUAL USG/GOJ INTERESTS, WITH EACH SIDE RECOGNIZING  
AND APPARENTLY ACCEPTING, NEEDS OF OTHER SIDE, RATHER  
THAN IN A SUPPLIER/RECIPIENT RELATIONSHIP.

2. FIRST DAY OF MEETINGS WAS HELD JOINTLY WITH MOFA,  
MITI AND STA, WITH OTSUKA (DEPUTY DIRECTOR-GENERAL  
OF MOFA UNITED NATIONS BUREAU) CHAIRING FOR GOJ SIDE.  
BENGELSDORF UNDERSCORED THE SUBSTANTIAL IMPORTANCE THAT  
THE EXECUTIVE BRANCH ASCRIBES TO THE NFAA AND TO THE  
CONCEPT THAT THE NEXT INCREMENT OF US CAPACITY SHOULD  
BE CONSTRUCTED IN THE PRIVATE SECTOR. WHILE ACKNOW-  
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LEDGING THAT THERE WAS SOME CONTROVERSY CONCERNING  
THIS SUBJECT WITHIN US, HE EXPRESSED THE STRONG  
CONVICTION THAT IN THE ULTIMATE ANALYSIS CONGRESS  
WOULD ACT FAVORABLY ON THE BILL. HE ALSO EMPHASIZED (1)  
THAT THE US HAD EVERY INTENTION TO REMAIN A STABLE  
AND RELIABLE SUPPLIER OF ENRICHMENT SERVICES TO THE  
JAPANESE PROGRAM, (2) THAT WE HAD VALUED HIGHLY THE  
ASSISTANCE WE HAD RECEIVED FROM JAPAN IN STUDYING HOW

THE NEXT INCREMENT OF CAPACITY SHOULD BE ESTABLISHED AND (3) THAT WE CONTINUED TO ATTACH HIGH IMPORTANCE TO THE PAST EXPRESSIONS OF INTEREST ON THE PART OF THE USG AND THE GOJ (THROUGH THE NIXON-TANAKA COMMUNIQUE) TO WORK CLOSELY TOGETHER IN SATISFYING FUTURE ENRICHMENT REQUIREMENTS.

3. STATE REP STRESSED THAT THE US UNDOUBTEDLY WOULD BE ASSISTED IN ITS ABILITY TO SATISFY JAPAN'S NUCLEAR NEEDS ON A TIMELY BASIS IF JAPAN, IN TURN, WOULD BE ABLE TO FIRM UP EXPEDITIOUSLY ITS OWN INTEREST IN THE U.S. PRIVATE PROPOSALS AND TO CONTRIBUTE FINANCIALLY TO THESE VENTURES. IT WAS STRESSED, HOWEVER, THAT THE US TEAM WAS NOT SERVING AS THE SPECIAL PLEADER OF ANY PARTICULAR PROPOSAL, BUT WAS VISITING JAPAN TO EXPLAIN THE IMPORTANCE THAT THE ADMINISTRATION ASCRIBES TO THE NEW LEGISLATION, TO TRY TO ANSWER ANY MAJOR QUESTIONS OR CONCERNS THAT THE GOJ OR THE INTERESTED JAPANESE UTILITIES HAD ABOUT DEVELOPMENTS IN THE U.S., AND TO GAUGE THE DEGREE OF JAPANESE INTEREST. BENGELDORF ALSO STRESSED, IN KEEPING WITH MR. INGERSOLL'S APPROACH OF DECEMBER 8, 1975, THAT THE U.S. FELT THAT FORMAL USG-GOJ CONSULTATIONS ON THIS IMPORTANT SUBJECT WERE LONG OVERDUE, GIVEN THE CONSIDERABLE IMPORTANCE OF THIS SUBJECT TO OUR RESPECTIVE ENERGY POLICIES, AND THAT WE HOPED THE CURRENT TALKS WOULD BE THE START OF CONTINUING DIALOGUE. IT WAS ALSO MADE CLEAR THAT, AS A PROSPECTIVE GUARANTOR OF THE UEA AND OTHER PROPOSED PRIVATE VENTURES, THE USG FELT THAT IT WAS APPROPRIATE TO HOLD CONSULTATIONS WITH THE GOJ AS A PARALLEL TO THE PRIVATE SECTOR TALKS THAT HAD BEEN UNDERWAY FOR SOME TIME.

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4. THROUGHOUT THE CONVERSATIONS, THE JAPANESE SIDE POINTED OUT THAT FROM A POLICY STANDPOINT JAPAN STILL INTENDED TO RELY HEAVILY ON THE USG AS A MAJOR NUCLEAR FUEL SUPPLIER. IT WAS NOTED THAT THERE WAS NO CHANGE IN THIS REGARD FROM THE TIME OF THE NIXON-TANAKA MEETINGS. HOWEVER, THE JAPANESE PROJECTION FOR NUCLEAR POWER HAD SLACKENED OVER THE LAST YEAR, AND AS WAS WELL KNOWN, THE JAPANESE UTILITY INDUSTRY HAD ENCOUNTERED SERIOUS FINANCIAL DIFFICULTIES AS A RESULT OF THE RECENT RECESSION. HENCE, JAPAN'S CURRENT NEEDS FOR NEW ENRICHMENT SERVICES BY THE MID 1980'S HAD DECLINED FROM EARLIER PROJECTIONS. MOREOVER, THE INTERESTED JAPANESE PARTIES HAD BEEN WAITING FOR GREATER SPECIFICITY AS TO THE FATE OF THE NFAA, THE

NOTE BY OC/T: NOT PASSED WHITE HOUSE, ERDA.

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ACTION SS-25

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----- 119809

R 310420Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6527

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 1479

EXDIS

ERDAAUEA CONTRACT, ETC., BEFORE ATTEMPTING TO DEFINE  
A CONCLUSIVE POSITION AS TO THEIR PARTICIPATION.

5. ALL OF THE MJOR JAPANESE PAST CONCERNS OF A  
TECHNICAL OR FINANCIAL NATURE WERE REVIEWED IN SUBSTAN-  
TIAL DETAIL. SCHWENNESEN AND THE OTHER DELOFFS SYSTEMA-  
TICALLY REVIEWED SEVERAL OF THESE WITH THE JAPANESE,  
AND DESCRIBED IN SUBSTANTIAL DETAL THE FINANCIAL  
SAFEGUARDS THATERDA INTENDED TO APPLY TO ASSURE THAT  
THE UEA VENTURE WOULD WORK, IF APPROVED AND TO ASSURE  
THATTHE INTERESTS OF DOMESTIC AND FOREIGN INVESTORS  
WOULD BEPROTECTED.

6. DRAWING ON A CAREFULLY PREPARED BRIEFING PAPER,  
SCHWENNESEN DESCRIBED IN DETAIL THE TECHNIQUES ERDA  
HAD IN MIND TO ASSURE THATTHE PROJECT WOULD MEET ITS SPECIFIED  
DESIGN CRITERIA. THERE WAS EXTENSIVE DISCUSSION OF  
WHAT THE COMPLICATIONS FOR JAPANESEINVESTORS WOULD  
BE IF ERDA WERE COMPELLED TOTAKE OVER THE UEA PLANT  
(WHICH ALL ACKNOWLEDGEDWAS A REMOTE PROSPECT) BUT THEN  
TO ABANDON BY THE US DELOFFS THAT, IN THIS EVENT, THE  
USGWOULD ELECT TO ABANDON THE PROJECT ONLY IF THE  
ALTERNATIVE FACILITY COULD PRODUCE ENRICHMENT SERVICES  
AT LOWER UNIT COST TO CUSTOMERS THAN COULD THE ORIGINAL  
PROJECT IF IT WERE COMPELLED BY THE GOVERNMENT.  
DELOFFS ALSO REPORTED ON THE US UTILITY INDUSTRY'S  
GROWING AFFIRMATIVE ATTITUDE TOWARD THE NFAA (WHICH  
HAS BEEN A MATTER OF CONSIDERALE INTEREST TO JAPAN).

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THEY PROVIDED COPIES OF RECENT EEI CRAWFORD LETTER  
TO VARIOUS JAPANESE REPS.

7. IN SIDE CONVERSATIONS, BENGELSDORF CANDIDLY REITER-  
ATED THE LINE REFLECTED IN DR. DEAMAN'S LETTER OF  
NOVEMBER 14, 1975 TO PROF. IPPONMATSU TO THE EFFECT  
THAT THE US HAD BEEN SOMEWHAT "DISAPPOINTED" THAT JAPAN  
HAD NOT YET BEEN ABLE TO TAKE A MORE CONSTRUCTIVE  
POSITION ON THIS MATTER. HOWEVER, IN REPLY, THE VARIOUS  
JAPANESE REPS (AND IN PARTICULAR THE UTILITY REPS)  
STRESSED THAT THEY INTENDED TO CONTINUE TO RELY HEAVILY ON  
THE US AS A PRINCIPAL SUPPLIER. ERG REPS ALSO UNDER-  
SCORED, IN RESPONSE TO QUESTIONING, THAT THE 1000 TON  
PER YEAR FIGURE IN THE IPPONMATUS LETTER WAS, IN FACT,  
THE CURRENT TARGET FOR PURCHASES FROM THE US, EVEN THOUGH  
THE LANGUAGE IN THAT LETTER DID NOT EXPLICITLY LIMIT  
JAPANESE OPTIONS TO PURCHASE FROM OTHER COUNTRIES.

8. THE CONVERSATIONS WITH OTSUKA (PARTICULARLY THOSE  
OF AN INFORMAL NATURE) WERE ESPECIALLY SPIRITED, WITH

OTSUKA ASKING A NUMBER OF SHARP QUESTIONS AND RECEIVING  
FRANK ANSWERS IN RETURN. THESE RANGED FROM EXPRESSION  
OF SKEPTICISM ON OTSUKA'S PART AS TO WHETHER IT IS  
APPROPRIATE FOR US ENRICHERS TO ASK JAPAN TO INVEST  
IN THIS ENTERPRISE, TO CONCERNS THAT JAPANESE INVESTORS  
WOULD NOT HAVE THE SAME PROTECTION AS US INVESTORS  
UNDER THE NFAA. STATE AND ERDA REPS, HOWEVER, REITER-  
ATED THE POSITIVE PROTECTION AFFORDED BY THE NFAA, AND  
STRESSED THAT THE USG WOULD DEEM IT ENTIRELY APPROPRIATE  
IF THE GOJ ELECTED TO PROVIDE SUPPLEMENTARY GUARANTEES  
TO JAPANESE PRIVATE INVESTORS.

9. MOST POSITIVE EXPRESSIONS OF APPRECIATION FOR  
TIMELY INFO, WAS CONFIRMATION OF JAPANESE INTENTION TO  
COMMIT TO 1000 TONS PER YEAR FROM US IN MID 1980'S  
TAKANA (TOKYO ELECTRIC POWER) VENTURED THE PERSONAL  
OPINION THAT THE UEA PROPOSAL APPEARED TO REPRESENT THE  
MOST REALISTIC APPROACH. MOST NEGATIVE FEATURE WAS  
THE DISGRUNTLED COMMENTS OF IMAI WHO DID NOT PARTICIPATE  
IN ANY OF THE FORMAL SESSIONS WITH THE JAPANESE BUT  
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WHO NEVERTHELESS WAS VAGUELY CRITICAL OF THE ENTIRE

DIALOGUE IN PRIVATE MEETINGS. IMAI ALSO ATTRIBUTED SOME CONCERN TO OTSUKA, BUT THIS WAS NOT VERIFIED IN SUBSEQUENT CONVERSATIONS. EMBASSY HAS THE IMPRESSION THAT IMAI OFTEN LIKES TO SEE HIMSELF AS THE SELF-STYLED VOICE FOR JAPAN ON THESE ISSUES AND IS PERTURBED WHEN OTHERS TAKE OVER OR ENTER THE SCENE.

10. AT THE CONCLUSION OF THE TALKS BENGELSDORF AND OTSUKA AGREED THAT THE CONFIDENTIALITY OF THE SPECIFIC NATURE OF THE TALKS WOULD BE PRESERVED. HOWEVER, IT WAS AGREED THAT IN RESPONSE TO CONGRESSIONAL INQUIRIES THE USG WOULD HAVE TO ACKNOWLEDGE THAT US REPS HAD BEEN IN TOUCH WITH REPRESENTATIVES OF THE JAPANESE UTILITY INDUSTRY ON THE SPECIFIC TERMS OF THE NFAA. MOREOVER, US SIDE WOULD STATE THAT, AT THE GOVERNMENTAL LEVEL, CONTINUING CONSULTATIONS WERE TAKING PLACE ON THE BROAD QUESTIONS OF ENRICHED URANIUM SUPPLY, IN KEEPING WITH THE EARLIER NIXON-TANAKA COMMUNIQUE. OTSUKA DOES NOT WANT ANY ALLUSION TO GOVERNMENTAL CONSULTATIONS TO REFER TO ANY SPECIFIC ENRICHMENT PROJECT, OR IF POSSIBLE TO NFAA, ON THE GROUNDS THAT THIS IS A SUBJECT THAT IS NOW BEING PURSUED LARGELY IN THE PRIVATE SECTOR ON THE JAPANESE SIDE.

11. EMBASSY EVALUATION. EMBASSY BELIEVES THAT THE VISIT WAS HIGHLY SUCCESSFUL, BEARING IN MIND THAT US HAD BEEN FOREWARNED THAT THE JAPANESE WOULD BE UNABLE TO MAKE ANY COMMITMENTS. FOR THE FIRST TIME, THE US ENGAGED THE JAPANESE IN A DETAILED EXCHANGE ON THE SUBJECT, WHICH UNDOUBTEDLY SHOULD ASSIST THEIR DECISION MAKING, AS WELL AS MAKE THEM FEEL THAT WE TRULY VALUE THEM AS A PARTNER AND ASCRIBE HIGH IMPORTANCE TO THEIR POSSIBLE PARTICIPATION. THE JAPANESE, HOWEVER, ARE CLEARLY TAKING A HARD-BOILED BUSINESS STANCE ON THE QUESTIONS OF PARTICIPATION IN THE UEA AND OTHER POSSIBLE ENRICHMENT VENTURES. THEY ARE CLEARLY AWAITING PASSAGE OF THE US LEGISLATION, THE OUTCOME OF THE ERDA-UEA NEGOTIATIONS, AND MORE CONCRETE DATA RELEVANT TO THEIR QUESTIONS ON FINANCING. WE SENSE THAT UEA HAS NOT BEEN IN ACTIVE CONTACT WITH THE INTERESTED JAPANESE

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IN RECENT MONTHS AND THAT THIS HAS CONTRIBUTED TO THE DELAY IN COMMITMENT. ALSO, IT SHOULD BE STRESSED THAT THERE ARE SEVERAL CROSSCURRENTS BENEATH THE SURFACE HERE, AND IT SEEMS CLEAR THAT AT LEAST SOME INDIVIDUALS IN ERG ARE NOT YET RECONCILED TO THE PROPOSITION THAT THE NEXT INCREMENT OF US CAPACITY WILL BE PRIVATE. IMAI, FOR ONE, STRIKES US AS PARTICULARLY ENIGMATIC ON THIS QUESTION AND HE WILL BEAR JUDICIOUS WATCHING.

TIMING AN NATURE OF FURTHER USG AND PRIVATE APPROACHES  
TO JAPANESE COUNTERPARTS WILL BE DELICATE MATTER  
WORTHY OF CAREFUL EVALUATION BY USG.  
HODGSON

NOTE BY OC/T: NOT PASSED WHITE HOUSE, ERDA.

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## Message Attributes

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